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Rural
Telephone
Bank

August 9, 1991

Informational
Publication 400-1

Bylaws of Rural Telephone Bank

with amendments

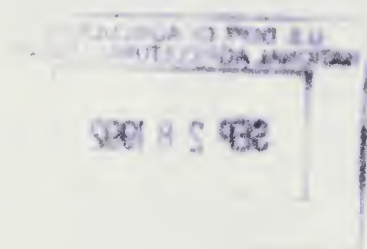


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AMENDMENTS



The Telephone Bank Board adopted amendments on May 1, 1991, and on August 7, 1991, to the bylaws of the Rural Telephone Bank. Generally the bylaw amendments adopted will:

1. *Restrict the issuance of a certificate for shares associated with a specific loan until the end of each fiscal year - Sec. 2.3(d);
2. Provide for the date for determination of stockholders entitled to notice of and to vote in any election of Directors - Sec. 2.5;
3. Provide for the classification of stockholders before any election of Directors - Sec. 2.8;
4. Provide for regular meetings of the stockholders in November of each even-numbered year - Sec. 3.1;
5. *Transfer the authority to call special meetings of the stockholders from the Governor to the Chairperson of the Board - Sec. 3.2;
6. *Provide that written notice of all meetings of stockholders be published in the Federal Register - Sec. 3.3;
7. *Lift the restriction on the number of proxies a voting representative may vote at a single stockholders meeting - Sec. 3.6(a);
8. *Prohibit proxy voting in the election of Directors - Sec. 3.6(b);
9. *Limit the authority to designate the voting representative or the holder of a proxy to the stockholder's chief executive officer, president, or vice president - Sec. 3.7(a);
10. Increase the number of Board members designated by the President of the United States from five to seven - Sec. 4.2;
11. *Change the voting procedure for electing Directors from non-secret to secret votes - Sec. 4.3(a);
12. *Provide that each election of Directors shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election - Sec. 4.3(b) and (c);
13. Provide that the Chairperson shall call a special meeting of the Board to determine the procedures to be followed in the event of a tie vote in the election of Directors - Sec. 4.3(d);
14. Extend the time limit stockholders have to submit their nominations for candidates in an election of Directors from sixty days to three months - Sec. 4.4(a);

15. *Permit stockholders to write in names on the official ballot as candidates for positions on the Board - Sec. 4.4(b);

16. Provide that the Secretary shall be responsible for mailing a statement of the number of Board members to be elected by the stockholders, a biographical sketch of each candidate for the Board, and the official ballot to be used by the stockholder - Sec. 4.4(c);

17. *Provide that the authorized voting representative of each stockholder shall vote by mail ballot for the election of Directors - Sec. 4.4(d);

18. Provide that Directors shall serve after expiration of the term of office of such member until the successor for such member has taken office - Sec. 4.4(e);

19. *Provide that any nominating form or official ballot placed in the mail by the Bank in Washington, D.C., addressed with the address appearing in the official records of the Bank, shall be properly mailed in satisfaction of the requirements of these bylaws - Sec. 4.4(f);

20. Provide for Board members to be compensated \$100 per day for each day or part thereof, not to exceed fifty days per year, and shall be reimbursed by the Bank for travel and other expenses in such manner and subject to such limitations as the Board may prescribe - Sec. 4.6;

21. Provide that in an election year a regular meeting of the Board be held no more than 45 days after the date of such election of Directors - Sec. 5.1;

22. Transfer the authority to call special meetings of the Board from the Governor to the Chairperson - Sec. 5.2(a);

23. Provide for special meetings of the Board on less than ten days notice - Sec. 5.2(b);

24. *Provide that notices of any meeting may be delivered by facsimile to each Director and all such notices will be published in the Federal Register - Sec. 5.3;

25. *Provide that all meetings of the Board comply with the Government in the Sunshine Act - Sec. 5.4 and 5.5;

26. *Provide for a Chairperson and Vice Chairperson of the Board and remove the Governor of the Bank as an officer of the Board - Sec. 6.1 and 6.2;

27. Provide that officers of the Board of Directors shall hold office until the first meeting of the Board following the election of Directors - Sec. 6.2;

28. *Set forth the responsibilities of the Chairperson and the Vice Chairperson - Sec. 6.4;

29. *Set forth the Governor's responsibilities as chief executive officer of the Bank - Sec. 6.7;

30. Provide that all meetings be conducted in accordance with Roberts' Rules of Order except as such rules may be inconsistent with the RE Act or these bylaws - Sec. 9.5; and

31. Provide that stockholders be notified immediately of any amendments to these bylaws - Article X.

* Indicates a substantive change or new section added to the bylaws.

Copies of the bylaws, as revised, are being mailed to all stockholders of the Bank and all recipients of telephone loans from the Rural Electrification Administration or the Rural Telephone Bank. Others may receive copies from the Governor, Rural Telephone Bank, Room 4051, South Building, United States Department of Agriculture, Washington, D.C. 20250, telephone 202-720-9540.

Dated: August 9, 1991



Governor, Rural Telephone Bank

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BYLAWS OF RURAL TELEPHONE BANK

with amendments adopted through August 7, 1991



ARTICLE I - NAME, ORGANIZATION, PURPOSES AND LOCATION

SEC. 1.1 NAME, ORGANIZATION, AND PURPOSES. The name of the body corporate by and for which these bylaws are adopted is Rural Telephone Bank (hereinafter called the "Bank"). It is an agency and instrumentality of the United States, established by the Act of May 7, 1971, 85 Stat. 29, 7 U.S.C. 931-950(b), (hereinafter called the "Act"), for the general purposes of obtaining an adequate supply of supplemental funds to the extent feasible from non-Federal sources, to utilize said funds in the making of loans pursuant to the Act, and to conduct its operations to the extent practicable on a self-sustaining basis.

SEC. 1.2 LOCATION OF OFFICES. The Bank shall have an office in the District of Columbia, and additional offices at such other places as the Governor, with the concurrence of the Board of Directors of the Bank (hereinafter called the "Board"), may from time to time designate.

ARTICLE II - CAPITAL STOCK AND SPECIAL FUND EQUIVALENTS

SEC. 2.1 CLASSES OF STOCK. The capital stock of the Bank shall consist of three classes, to wit, Class A, Class B, and Class C.

SEC. 2.2 RIGHTS, POWERS, PRIVILEGES AND PREFERENCES OF EACH CLASS OF STOCK. (a) Class A stock shall have a par value of one dollar (\$1.00) per share and shall be issued only at par and only to the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") on behalf of the United States for capital furnished to the Bank by the United States as provided in section 406(a) of the Act, and shall be non-voting stock. Such stock shall be entitled to a cumulative return, payable from the Bank's income, at the rate of two per centum (2%) per annum. Such stock shall be redeemed and retired in such amounts and at such times as provided in section 406(c) of the Act. Upon dissolution or liquidation of the Bank, Class A stock shall be retired at par before any payment is made to holders of Class B or Class C stock, and the holder of Class A stock shall be entitled to share pro rata with the holders of Class B stock then outstanding in the surpluses and contingency reserves remaining after the payment of all the Bank's liabilities and after retirement of all classes of stock at par as provided in section 411 of the Act. Class A stock shall not be transferable.

(b) Class B stock shall have a par value of one dollar (\$1.00) per share, shall be issued only at par, shall be held only by the recipients of loans made

under section 408 of the Act, and shall be voting stock. No dividends shall be payable on Class B stock, but the holders thereof shall be entitled to patronage refunds in Class B stock as hereinafter provided. Prior to dissolution or liquidation of the Bank, Class B stock may be redeemed and retired only after all shares of Class A stock shall have been redeemed and retired: *Provided, however,* That the Board may, under rules of general application adopted by it and upon agreement with the stockholder, provide for the conversion of Class B stock into Class C stock upon payment of amounts owed by a holder of Class B stock to the Bank and upon surrender of sufficient shares of Class B stock, supplemented by cash if necessary, to equal the par value of each share of Class C stock to be issued inasmuch as fractional shares of Class C stock shall not be issued. Upon dissolution or liquidation of the Bank, holders of Class B stock shall be entitled to share pro rata with the holder of Class A stock then outstanding in the surpluses and contingency reserves remaining after the payment of all of the Bank's liabilities and after retirement of all classes of stock at par as provided in section 411 of the Act. Class B stock shall not be transferable, either absolutely or by way of collateral, except in connection with the assumption by the transferee, with the approval of the Governor, of all or part of the transferor's loan from the Bank.

- (c) Class C stock shall have a par value of one thousand dollars (\$1,000) per share, shall be issued only at par, shall be held only by borrowers or by corporations and public bodies eligible to borrow under section 408 of the Act, or by organizations controlled by such borrowers, corporations and public bodies, and shall be voting stock. At such times and in such amounts as the Board may designate, dividends may be declared and paid to holders of Class C stock, but only from income of the Bank. Until all Class A stock is retired, the annual rate of any such dividend shall not exceed the current average rate payable on the bonds, debentures, notes and other evidences of indebtedness issued by the Bank (hereinafter collectively called "telephone debentures"). No dividend on Class C stock shall be paid at any time when any portion of the cumulative 2 percent return on Class A stock required by section 406(c) of the Act remains unpaid. Prior to dissolution or liquidation of the Bank, Class C stock may be redeemed and retired only after all shares of Class A stock shall have been redeemed and retired. Upon dissolution or liquidation of the Bank, holders of Class C stock shall be entitled to retirement of their stock at par after payment of all liabilities of the Bank and after retirement of all Class A and Class B stock at par, but shall not be entitled to share in any remaining surpluses or contingency reserves, as provided in section 411 of the Act. Class C stock shall not be transferable, absolutely or by way of collateral, except to a borrower, or a corporation or public body eligible to borrow under section 408 of the Act, or an organization controlled by such borrowers, corporations, or public bodies.

(d) No holder of Class B or Class C stock shall be entitled to more than one vote, regardless of the number and class or classes of shares held, nor shall Class B and Class C stockholders, regardless of their number, which are

owned or controlled by the same person, group of persons, firm, association, or corporation be entitled to more than one vote.

SEC. 2.3 SHARE CERTIFICATES. (a) The Bank shall issue certificates evidencing the purchase of shares of stock of the Bank but only upon payment in full of the par value thereof. The Bank shall also issue certificates evidencing distribution of patronage refunds as hereinafter provided. The certificates for Class A stock shall be in such form, satisfactory to the Administrator, as may be prescribed by the Board from time to time. Certificates for Class B and Class C stock shall be in such form as the Board may from time to time prescribe. The certificates shall be signed by the Governor and attested by the Secretary of the Bank. No certificate shall be valid unless it is signed as herein provided. The Bank shall act as its own transfer agent or registrar.

(b) All certificates of each class shall be consecutively numbered. The name of the entity owning the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the Bank's books. All certificates surrendered to the Bank for transfer or conversion shall be canceled, and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except that in the case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Bank as the Board may prescribe.

(c) Notwithstanding other provisions in these bylaws, however, the Board may authorize the use of book entry system for stock and issue certificates only on the specific request of the stockholder.

(d) The Board may also, notwithstanding other bylaw provisions, restrict the issuance of a certificate for shares associated with a specific loan until the end of each fiscal year.

SEC. 2.4 TRANSFER OF SHARES. Shares in the capital stock of the Bank shall be transferred only on the books of the Bank by authorization from the holder thereof or by his legal representative upon proof of his authority filed with the Secretary of the Bank, and on surrender for cancellation of such shares. The entity in whose name shares stand on the books of the Bank shall be deemed to be the owner thereof for all purposes.

SEC. 2.5 DATE FOR DETERMINATION OF STOCKHOLDERS' RIGHTS. The Board may fix a date, not exceeding four (4) months preceding the date of any meeting of stockholders or any election of Directors, any dividend payment date or any date for the determination or allotment of rights, as a record date for the determination of stockholders entitled to notice of and to vote at such meeting or in such election, or entitled to receive such dividend or rights as the case may be.

SEC. 2.6 SPECIAL FUND EQUIVALENTS. The amounts to be paid by any entity into the special fund provided for in section 406(f) of the Act and the rights, powers, privileges and preferences in respect of dividends, patronage refunds, voting rights, transfer of interest, retirement of special fund equivalent and liquidation or dissolution of the Bank accruing to an entity making such a payment, shall, to the extent permitted under the laws of the jurisdiction in which such entity is organized, be determined as if such entity had purchased stock in the Bank for such payment. The Bank shall issue to such entity written evidence, in such form as the Board may from time to time prescribe, of the payment made by such entity into the Bank's special fund established pursuant to said section 406(f) of the Act. Such writing shall comply, in respect of its execution, numbering and the surrender of such writing and the issuance of share certificates or other evidence of payment into the special fund in lieu of the surrendered evidence, with the provisions of section 2.3 above. Evidences of payment into said special fund shall be transferred in the manner provided in section 2.4 above for the transfer of shares of stock. The provisions of section 2.5 above shall also be applicable in respect of such evidences of payment. Each reference in these bylaws to capital stock or to Class B or Class C stock and to stockholders shall, subject to the first sentence of this section 2.6 be deemed to include evidences, or holders of evidences, of payment into the special fund in lieu of purchase of the class of stock to which reference is made.

SEC. 2.7 COMMONLY OWNED OR CONTROLLED STOCKHOLDERS. Each reference in these bylaws to the voting rights of stockholders, shall, in respect of stockholders which are owned or controlled by the same person, group of persons, firm, association, or corporation (7 U.S.C. 946(b)) be deemed to mean that the right is vested and is to be exercised as if all such stockholders owned or controlled by the same person, group of persons, firm, association or corporation were one stockholder.

SEC. 2.8 CLASSIFICATION OF STOCKHOLDERS. At least one month before any meeting of stockholders or any election of Directors, the Governor shall prepare a list of all stockholders, classified on the books of the Rural Electrification Administration as either cooperative-type or commercial-type entities and organizations, which are entitled to vote, indicating thereon those which are required to share their vote with other commonly owned or controlled stockholders in a designated affiliated group. A copy of the list shall be available for inspection and copying at the offices of the Rural Telephone Bank and the Rural Electrification Administration in Washington, D.C.

ARTICLE III - MEETINGS OF STOCKHOLDERS

SEC. 3.1 REGULAR MEETING. A regular meeting of the stockholders shall be held in November of each even-numbered year on such day and at such place and time as may be selected by the Board, for the purpose of (a) hearing reports from officers of the Bank, and (b) acting upon such other matters as may properly be brought before the meeting.

SEC. 3.2 SPECIAL MEETINGS. Special meetings of the stockholders may be called by the Chairperson of the Board, by resolution of the Board, upon a written request signed by seven (7) members of the Board, or by not less than fifty (50) stockholders, subject to section 2.7. It shall be the duty of the Secretary to promptly cause notice of such meeting to be given as hereinafter provided. Special meetings may be held at any place designated by the person or persons calling the meeting.

SEC. 3.3 NOTICE. Written or printed notice stating the place, day and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than forty (40) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon default by the Secretary, by the entities calling the meeting, to each stockholder and published in the Federal Register. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder's address as it appears on the records of the Bank with postage thereon prepaid. The failure of any stockholder to receive notice of a meeting of stockholders shall not invalidate any action which may be taken by the stockholders at any such meeting.

SEC. 3.4 QUORUM. The quorum for a meeting of the stockholders shall consist of one hundred (100) stockholders present in person or by proxy. All members of a commonly owned or controlled affiliated group as set forth in section 2.7 shall be considered as one stockholder for quorum as well as voting purposes. If less than a quorum is present at any meeting, a majority of those present in person or by proxy may adjourn the meeting from time to time without further notice. Stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. A stockholder shall be considered as being present in person or by proxy if the individual designated as its voting representative pursuant to section 3.7(a), is present.

SEC. 3.5 VOTING. Each stockholder entitled to vote shall be entitled to only one vote upon each matter submitted to a vote at a meeting of stockholders. All questions submitted to a vote of stockholders shall be decided by a vote of a majority of the stockholders voting thereon present in person or by proxy.

SEC. 3.6 PROXIES. (a) Subject to sections 2.7 and 3.7(a), at all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of stockholders unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. Any stockholder which has granted a proxy may vote in person through the individual designated as its voting representative pursuant to section 3.7(a) and such vote shall revoke the proxy theretofore given and shall have the same effect as if the proxy shall not have been executed. A proxy may only be voted by a voting representative of another stockholder in the same segment of the industry as the grantor of the proxy. Public bodies, for the purpose of these bylaws, shall be considered part of the cooperative segment.

(b) Proxy voting is prohibited in the election of Directors.

SEC. 3.7 VOTING OF SHARES BY CERTAIN HOLDERS. (a) Shares standing in the name of a corporation, public body, or other organization may be voted by the director, manager, or other employee of the stockholder authorized by the chief executive officer, president, or vice president of such organization to be its voting representative or by the holder of a proxy as set forth in section 3.6.

(b) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by him without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

(c) A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

ARTICLE IV - DIRECTORS

SEC. 4.1 POWERS. Except to the extent otherwise required by law or by these bylaws, the management of the Bank shall be vested in the Board.

SEC. 4.2 NUMBER. Until ownership, control and operation of the Bank has been converted pursuant to section 410(a) of the Act, the Board shall consist of seven members designated by the President of the United States (five of whom shall be officers or employees of the United States Department of Agriculture but not REA, and two of whom shall be from the general public and not officers or employees of the United States) and six additional members elected by the holders of Class B and Class C stock.

SEC. 4.3 ELECTION. (a) Six members of the Board shall be elected by a secret vote by holders of Class B and Class C stock, voting noncumulatively as follows: (1) three by a plurality vote of stockholders voting in the cooperative segment of the industry, from among the directors, managers, and other employees of cooperative-type entities and organizations controlled by them holding Class B or Class C stock, and (2) three by a plurality vote of stockholders voting in the commercial segment of the industry, from among the directors, managers, and other employees of commercial-type entities and organizations controlled by them holding Class B or Class C stock. Ballots cast for the election of the Directors as established in section 405(b)(2) and (3) of the Act shall be counted on such day in February of 1992 as the Board may select. Thereafter, ballots shall be cast biennially for the election of Directors and counted on such day in November of each even-numbered year as the Board may select after 1992.

(b) Each election under paragraph (a)(1) or (a)(2) of this section shall not be considered valid unless a majority of the stockholders eligible to vote in the election have voted in the election.

(c) Upon a determination by the Assistant Secretary that ballots were received from less than a majority of eligible voters in one or both of the two segments of the industry, the Chairperson shall call a special meeting of the Board to determine the procedures to be followed for a new election for the segment or segments involved.

(d) In the event of a tie vote, the Chairperson shall call a special meeting of the Board to determine the procedures to be followed to break a tie vote.

SEC. 4.4 NOMINATIONS AND TENURE. (a) At least three (3) months before the tabulation of ballots for the election of Directors, the Secretary shall send a form to each holder of Class B or Class C stock which may be used to nominate not more than three eligible individuals as defined in section 4.3(a) above. Any form nominating Directors received by the Assistant Secretary of the Rural Telephone Bank within the time limit established by the Board shall be opened and tabulated by tellers nominated by the Governor and approved by the Board.

(b) All eligible individuals receiving at least ten (10) nominations by cooperative-type stockholders shall be entered on the official ballot as candidates for the three positions on the Board allocated to the cooperative segment of the industry. All eligible individuals receiving at least ten (10) nominations by commercial-type stockholders shall be entered on the official ballot as candidates for the three positions on the Board allocated to the commercial segment of the industry. The only nominees eligible for inclusion on the official ballot as candidates are those certified by the Secretary as having been nominated in accordance with the provisions in this subsection and section 4.3(a) above, however, write-in candidates are permitted on the official ballot which will contain blank spaces for writing in the names of three additional candidates.

(c) The Secretary shall be responsible for mailing, at least three (3) weeks before the date for tabulation of ballots, a statement of the number of Board members to be elected by the stockholders in each segment of the industry, a biographical sketch of each candidate for the Board, and the official ballot to be used by the stockholder. Each ballot shall show the name and the position of each candidate in the candidate's stockholder's organization.

(d) The authorized voting representative of each stockholder shall vote by mail ballot and shall be entitled to cast one vote for one candidate for each position for which that stockholder is eligible to vote. The authorized voting representative may be a director, manager, or other employee of the stockholder authorized by the chief executive officer, president, or vice president of such organization. Any mail ballot received by the Assistant Secretary of the Bank by close of business on the day before the day the ballots are to be counted shall be opened and tabulated by tellers nominated by the Governor and approved by the Board. The Assistant Secretary shall deliver the unopened ballots to the head teller to be opened and tabulated.

(e) Directors shall be elected for two (2) years but they shall serve after expiration of the term of office of such member until the successor for such member has taken office. Upon the establishment of the fact that a Director, at the time of his election, did not, or has since ceased to, have the qualifications required by these bylaws or the Act, the Board shall remove such Director from office.

(f) Any nominating form or official ballot placed in the mail by the Bank in Washington, D.C., addressed with the address appearing in the official records of the Bank and with postage fully paid, shall be considered properly mailed in satisfaction of the requirements of these bylaws.

SEC. 4.5 VACANCIES. Any vacancy occurring on the Board shall be filled by the affirmative vote of the remaining Board members for the unexpired portion of the term; *Provided, however*, That the person selected by the Board to fill a vacancy shall be chosen from among the same group (cooperative-type or commercial-type) of individuals that elected his predecessor on the Board; *And provided, further*, That the Board shall have no power to choose a successor to a Director appointed by the President of the United States.

SEC. 4.6 COMPENSATION. Board members designated from the general public, pursuant to section 405(b)(1)(B) of the Act, or elected pursuant to section 405(b)(2) or (3) of the Act, shall receive one hundred dollars (\$100) per day for each day or part thereof, not to exceed fifty days per year, spent in the performance of official duties for the Bank, and shall be reimbursed by the Bank for travel and other expenses in such manner and subject to such limitations as the Board may prescribe. Directors who are officers or employees of the Department of Agriculture shall serve as directors without additional compensation. No close relative of a Board

member shall receive compensation for serving the Bank unless the relationship shall have been fully disclosed to the Board prior to his employment and the Board shall have determined that his employment will be beneficial to the Bank.

SEC. 4.7 BOARD COMMITTEES. The Board may, from time to time, provide for such committees as it deems desirable. The resolution establishing the committee shall prescribe the name and functions of the committee, and shall name the Director or Directors who shall constitute it and the Chairperson thereof. A majority of the members of any such committee shall constitute a quorum. Vacancies on any such committee shall be filled by appointment by the Board. The committee shall keep a record of its proceedings and shall report to the Board as and when required by it.

ARTICLE V - MEETINGS OF BOARD

SEC. 5.1 REGULAR MEETINGS. A regular meeting of the Board shall be held quarterly on ten (10) days notice at such times and places as designated by resolution of the Board. In an election year, one such meeting shall be held no more than 45 days after the date of the election of Directors.

SEC. 5.2 SPECIAL MEETINGS. (a) Special meetings of the Board may be called by the Chairperson or by any three Board members on ten (10) days notice given in accordance with the regulations and bylaws of the Bank. The person or persons calling the meeting shall fix the time and place for the holding of the meeting.

(b) Special meetings of the Board may be held on less than ten (10) days notice if a majority of the Directors determines by a recorded vote that Bank business requires that the special meeting be held on less than ten (10) days notice and that no earlier public announcement of the change is possible.

SEC. 5.3 NOTICE. Notice of any meeting shall be given in writing and delivered in person, by mail, by facsimile, or by telegram, to each Director and published in the Federal Register. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Bank, with postage thereon prepaid; and if notice is by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegram company prepaid.

SEC. 5.4 QUORUM. A majority of the members of the Board shall constitute a quorum for the transaction of business at any meeting of the Board; *Provided, however,* That if less than a majority of the Board members is present at said meetings, a majority of Board members present may adjourn the meeting from time to time; *And provided, further,* That the Secretary shall

notify any absent Board members of the time and place of such adjourned meeting and shall publish notice thereof in the Federal Register. The act of a majority of the Board members present at a meeting at which a quorum is present shall be the act of the Board except as otherwise provided in these bylaws.

SEC. 5.5 SUNSHINE ACT. All meetings of the Board shall comply with the Government in the Sunshine Act (5 U.S.C. 552b) and the regulations of the Bank implementing such Act (7 CFR §1600.1 et seq.).

ARTICLE VI - OFFICERS

SEC. 6.1 NUMBER. The officers of the Board of Directors shall be the Chairperson, Vice Chairperson, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

SEC. 6.2 ELECTION AND TERM OF OFFICE. The officers shall be elected by the Board at the meeting of the Board held pursuant to section 5.1 of these bylaws. If the election of officers shall not be held at such meeting, such election shall be held as conveniently thereafter as may be. Each officer shall hold office until the first meeting of the Board following the next succeeding election of Directors or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SEC. 6.3 REMOVAL OF OFFICERS AND AGENTS. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interest of the Bank will be served thereby.

SEC. 6.4 CHAIRPERSON AND VICE CHAIRPERSON. The Chairperson or, in the Chairperson's absence or inability to act, the Vice Chairperson shall:

- (a) Preside at all meetings of the stockholders and of the Board; and
- (b) Not vote on a matter before the Board whenever the Chairperson's vote will cause a tie vote on the matter.

SEC. 6.5 SECRETARY AND ASSISTANT SECRETARY. The Secretary or, in his absence or inability to act, the Assistant Secretary, shall be responsible for:

- (a) Keeping the minutes of all meetings except as otherwise provided in these bylaws;
- (b) Seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) Safekeeping of the corporate records and affixing the seal of the Bank to all documents, the execution of which on behalf of the Bank under its seal is duly authorized in accordance with the provisions of these bylaws;

(d) Keeping stock records containing names and addresses of all stockholders of the Bank, showing, among other things, the number of shares held by each, and the dates when they became the owners thereof;

(e) Attesting share certificates, and telephone debentures, the issue of which shall have been authorized by the Board;

(f) Keeping on file at all times a complete copy of the bylaws of the Bank containing all amendments thereto and, at the expense of the Bank, furnishing a copy of the bylaws and of all amendments thereto to every stockholder; and

(g) In general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

SEC. 6.6 TREASURER AND ASSISTANT TREASURER. The Treasurer or, in his absence or inability to act, the Assistant Treasurer, shall be responsible for:

(a) Custody of all funds and securities of the Bank;

(b) The receipt of, and the issuance of receipts for, all moneys due and payable to the Bank and for the deposit of all such moneys in the name of the Bank in accordance with the provisions of these bylaws;

(c) Signing all checks, drafts, or other orders for the payment of money; and

(d) In general performing all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him by the Board.

SEC. 6.7 GOVERNOR. The Governor shall be the chief executive officer of the Bank, and, without limiting the generality of the authority vested in him by law, shall:

(a) Sign share certificates and telephone debentures, the issue of which shall have been authorized by the Board, and any other instrument or document of the Bank;

(b) Establish the positions of Deputy Governor, Assistant Governor, Deputy Assistant Governor, Assistant Secretary, and Assistant Treasurer and recommend to the Board for approval those persons to serve in such positions; and establish such other positions as the Governor shall deem necessary, and appoint persons to fill such positions; and

(c) Carry-out policy adopted by the Board of Directors and administer the telephone program in compliance with the laws enacted by Congress.

SEC. 6.8 BONDS. Officers, employees or agents of the Bank shall be bonded, at the expense of the Bank, if and to the extent the Governor and the Board shall determine.

SEC. 6.9 REPORTS. The officers of the Bank shall annually submit to the stockholders and to persons with a loan or loan commitment from REA reports covering the business of the Bank. The Board shall also make an annual report to the Secretary of Agriculture, for transmittal to the Congress,

on the Administration of Title IV of the Rural Electrification Act of 1936, as amended, and upon any other matters relating to the effectuation of the policies of said Title IV, including recommendations for legislation.

ARTICLE VII - FINANCIAL TRANSACTIONS

SEC. 7.1 COUNTERSIGNATURE OF CHECKS, DRAFTS, ETC. Unless otherwise determined by the Governor, all checks, drafts or other orders for the payment of money shall be countersigned by such person or persons as shall be designated by him.

SEC. 7.2 DEPOSITS. All funds except petty cash of the Bank shall be deposited from time to time to the credit of the Bank in accordance with the provisions of 31 United States Code 867. If, in accordance with the provisions of such law, the Bank is permitted to choose a depository other than the Treasurer of the United States, the Governor, with the approval of the Board, shall select such other depository or depositories.

SEC. 7.3 FISCAL YEAR. The fiscal year of the Bank shall, through June 30, 1976, commence on July 1 of each year and end on June 30 of the following year; and shall, beginning on October 1, 1976, commence on October 1 of each year and end on September 30 of the following year with the three months ending on September 30, 1976, being considered a transition quarter between two fiscal years.

ARTICLE VIII - PATRONAGE CAPITAL

SEC. 8.1 PATRONAGE CAPITAL ASSIGNABLE. "Patronage capital assignable" shall consist of all revenues of the Bank for any fiscal year in excess of the amount thereof necessary to:

(a) Pay expenses of the Bank, including without limitation, payments in lieu of property taxes as provided in section 401(c) of the Act;

(b) Pay interest on telephone debentures accruing in such fiscal year;

(c) Provide reasonable allowances for depreciation, obsolescence and losses on loans and interest receivable;

(d) Pay to the holder or holders of Class A stock an amount equal to two per centum (2%) per annum of the capital furnished to the Bank for such stock; and

(e) Pay to the holders of Class C stock dividends at the rate determined by the Board; *Provided, however*, That no dividends shall be declared on Class C stock until arrearages, if any, on payments to holders of the cumulative Class A stock have been paid; *And provided, further*, That until all Class A stock shall have been retired, the Board shall not declare any dividends on Class C stock at an annual rate in excess of the then current average rate payable on the Bank's telephone debentures.

SEC. 8.2 CALCULATION OF PATRONAGE REFUNDS. (a) After the end of each fiscal year after fiscal year 1987, the patronage capital assignable will be transferred to the reserve for losses due to interest rate fluctuations. Any amounts in this reserve then in excess of \$10,000,000 shall be transferred from the reserve, on the basis of amounts first transferred to the reserve being those first transferred therefrom and these amounts shall be allocated as Class B stock to those borrowers holding Class B stock during the fiscal year the amounts were earned. The amount allocated to each such holder of Class B stock for each fiscal year shall be calculated by applying to the amount for a particular year transferred from the reserve pursuant to the preceding sentence the ratio which the amount of interest revenue to the Bank from each such holder of Class B stock in that same fiscal year bears to the Bank's total interest revenue from all holders of Class B stock in that same fiscal year.

(b) If, at any time after all Class A stock has been retired, the Board should determine that the Bank's financial condition will not be impaired thereby, it may establish procedures for the retirement of Class B stock in full or in part or its conversion to Class C stock in addition to the conversion authorized in section 2.2(b) hereof.

SEC. 8.3 CALCULATION OF CLASS C STOCK DIVIDEND. For any fiscal year after 1988, any dividends on Class C stock shall be paid to the holders hereof on the basis of one-twelfth of the dividend for each full month, or portion of a month, the stock is held during such fiscal year.

ARTICLE IX - MISCELLANEOUS

SEC. 9.1 WAIVER OF NOTICE. Any stockholder or member of the Board may waive in writing any notice of a meeting required to be given by these bylaws, either before or after the time of such meeting. The attendance of a stockholder or member of the Board at any meeting shall constitute a waiver of notice of such meeting by such stockholder or Board member, unless such attendance shall be for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SEC. 9.2 POLICIES, RULES AND REGULATIONS. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law or these bylaws, as it may deem advisable for the management of the Bank.

SEC. 9.3 ACCOUNTING SYSTEM AND AUDIT REPORTS. The Board shall cause to be established and maintained a complete accounting system which, among other things, shall conform to accounting system principles, standards and procedures applicable to corporate business enterprises. A summary of the report of each audit of the Bank's financial

transactions made by the General Accounting Office of the United States shall be mailed to each stockholder promptly after the report shall have been received.

SEC. 9.4 SEAL. The Board shall adopt a suitable corporate seal, containing the name of the Bank.

SEC. 9.5 CONDUCT OF MEETINGS. Meetings of stockholders and Directors of the Bank shall be conducted in accordance with the current edition of "Roberts' Rules of Order" except as such rules may be inconsistent with the Act or these Bylaws.

ARTICLE X - AMENDMENTS

These bylaws may be altered or amended by a vote of two-thirds of the entire Board at any regular or special meeting of the Board provided the notice of such meeting shall contain a copy of the proposed amendment or alteration. All stockholders shall be notified immediately of any amendment of these bylaws.

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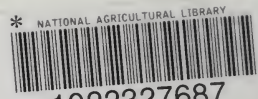
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